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Audits Division

JUVENILE PROBATION DEPARTMENT:

An Audit of the Cash Revolving Fund January 1, 2003, Through March 30, 2004

Audit Number 03027
June 24, 2004

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

June 24, 2004 Audit Number 03027

Gwendolyn B. Tucker, Chief Probation Officer
Juvenile Probation Department
375 Woodside Avenue
San Francisco, CA 94127

Dear Ms. Tucker:

The Office of the Controller presents its report concerning the audit of Juvenile Probation Department (Juvenile Probation) cash revolving fund. Juvenile Probation uses the revolving fund to pay for minor office and employee recognition expenses.

Reporting Period: January 1, 2003, Through March 30, 2004

Authorized Amount: $500

Results:

- Juvenile Probation did not process revolving fund transactions according to City policies and procedures. The department used its revolving fund to make purchases not allowed by the City's Purchasing Department.

- Although the Board of Supervisors authorized Juvenile Probation's revolving fund, the department did not establish its fund in the Financial Accounting and Management Information System of the Office of the Controller (Controller).

- Since Juvenile Probation has not used its revolving fund for more than one year, and does not intend to use the fund in the future, it should return the funds to the Controller and request the Controller to close out the fund, and request the Board of Supervisors to amend the Administrative Code to eliminate the cash revolving fund.

The department's response is attached to this report. The Controller's Audits Division will be working with the department to follow up on the status of the recommendations.

Respectfully submitted,

Ed Harrington
Controller

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INTRODUCTION

BACKGROUND

The Board of Supervisors of the City and County of San Francisco appropriated a cash revolving fund of $500 to the Juvenile Probation Department (Juvenile Probation) under the San Francisco Administrative Code (Administrative Code) Section 10.146. Juvenile Probation uses the revolving fund to pay for minor office and employee recognition expenses.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine whether Juvenile Probation's revolving fund assets agreed with the amount authorized in the Administrative Code and recorded in the Controller's Financial Accounting and Management Information System (FAMIS). We also determined if Juvenile Probation properly administered and used the revolving fund. In addition, we assessed whether the internal controls over the fund were adequate, and whether the revolving fund was sufficient to meet Juvenile Probation's operational needs.

To conduct the audit, we reviewed the applicable provisions in the Administrative Code, the Controller's Departmental Instruction No. 1052, and the Purchaser's *Guide to Ordering Goods and Services*. We evaluated Juvenile Probation's procedures for recording, summarizing, and reporting the revolving fund transactions. We tested, on a sample basis, Juvenile Probation's revolving fund transactions during the audit period to determine whether the transactions were proper and valid.

AUDIT RESULTS

JUVENILE PROBATION DID NOT ADEQUATELY ADMINISTER ITS REVOLVING FUND

As of March 30, 2004, Juvenile Probation's cash revolving fund balance of $500 agreed to the amount authorized in the Administrative Code. However, Juvenile Probation did not establish the fund in the Financial Accounting and Management System (FAMIS) of the Office of the Controller (Controller). Furthermore, Juvenile Probation improperly used its funds to purchase gifts for its employees. Juvenile Probation purchased with its revolving fund more than $400 in recognition gifts for its employees, and has not yet submitted the receipts for reimbursement by the Controller. However, according to the Purchaser's *Guide to Ordering Goods and Services*, departments may not purchase gifts or other items to be given to employees, such as retirement gifts, unless the department has budgeted for such items. We did not find any evidence that the department had budgeted for such gifts.

Finally, Juvenile Probation never used the revolving fund for the fifteen-month period we reviewed. According to Juvenile Probation's director of finance and administration, the department does not intend to use the revolving fund in the future and wishes to have the fund closed.

RECOMMENDATIONS

To ensure that the Juvenile Probation Department properly accounts for its revolving fund, the department should take the following actions:

- Request the Board of Supervisors to approve the purchases made for employee recognition gifts. If Juvenile Probation does not obtain the Board of Supervisor's approval, the Controller will not approve reimbursing those expenditures, and Juvenile Probation's department head is responsible for making up any shortages in the revolving fund.

- Close its revolving fund bank account and return $500 to the Controller.

- Request the Board of Supervisors to amend the Administrative Code to eliminate the cash revolving fund.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Helen Vo

JUVENILE PROBATION DEPARTMENT RESPONSE TO THE AUDIT:

City and County of San Francisco
Juvenile Probation Department

GWENDOLYN B. TUCKER
CHIEF PROBATION OFFICER

June 15, 2004

Edward Harrington, Controller
Office of the Controller
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Harrington,

This is in response to the May 14, 2004 draft audit report of our Revolving Fund from Noriaki Hirasuna, Audits Director. We agree with the findings and recommendations as presented in the Revolving Fund audit report and plan to implement the recommendations at our earliest opportunity.

In the cover memo, we request that the tone and wording of the first sentence in the Results section be modified to read '*Juvenile Probation did not process revolving fund transactions according to City policies and procedures.*' We also disagree that '*Juvenile Probation used its revolving fund to make purchases not allowed by the City's Purchasing Department.*' The purchases are an allowable expense as stated in the report, but must first be included in our department budget. We plan to include these costs in the budget for the upcoming fiscal year so that these costs can be reimbursed and the fund closed-out as recommended. ①* ②

Please feel free to contact me at your convenience if you require additional information about this.

Thank you and your staff for all the help and support.

Best Regards,

Gwendolyn B. Tucker
Chief Probation Officer

Cc: William M. Johnston-Assistant Chief Probation Officer
Mark S. Lui-Director of Finance and Administration

(415) 753-7800 375 Woodside Avenue San Francisco, CA 94127

*The Controller's Audits Division's comments on Juvenile Probation Department's response to the audit are on page 5.

CONTROLLER'S AUDITS DIVISION COMMENTS ON THE RESPONSE FROM JUVENILE PROBATION DEPARTMENT:

To provide clarity and perspective, we are commenting on the response to our audit report from Juvenile Probation Department (Juvenile Probation). The following numbered responses correspond to the numbers we have placed in Juvenile Probation's response.

① We agree and have made the modification to the cover letter as requested.

② We disagree. As indicated in the report, Juvenile Probation used its revolving funds to purchase gifts for employees, which is not allowed by the City's Purchasing Department, unless the department has budgeted for such items. However, during our audit period, these items were not budgeted by Juvenile Probation.

cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library
KPMG LLP